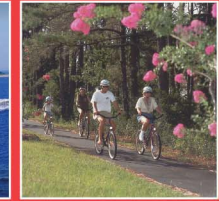
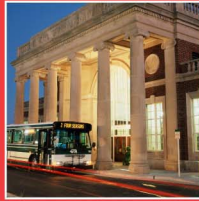
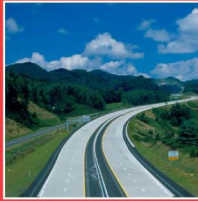




Joint Legislative Transportation Oversight Committee Meeting

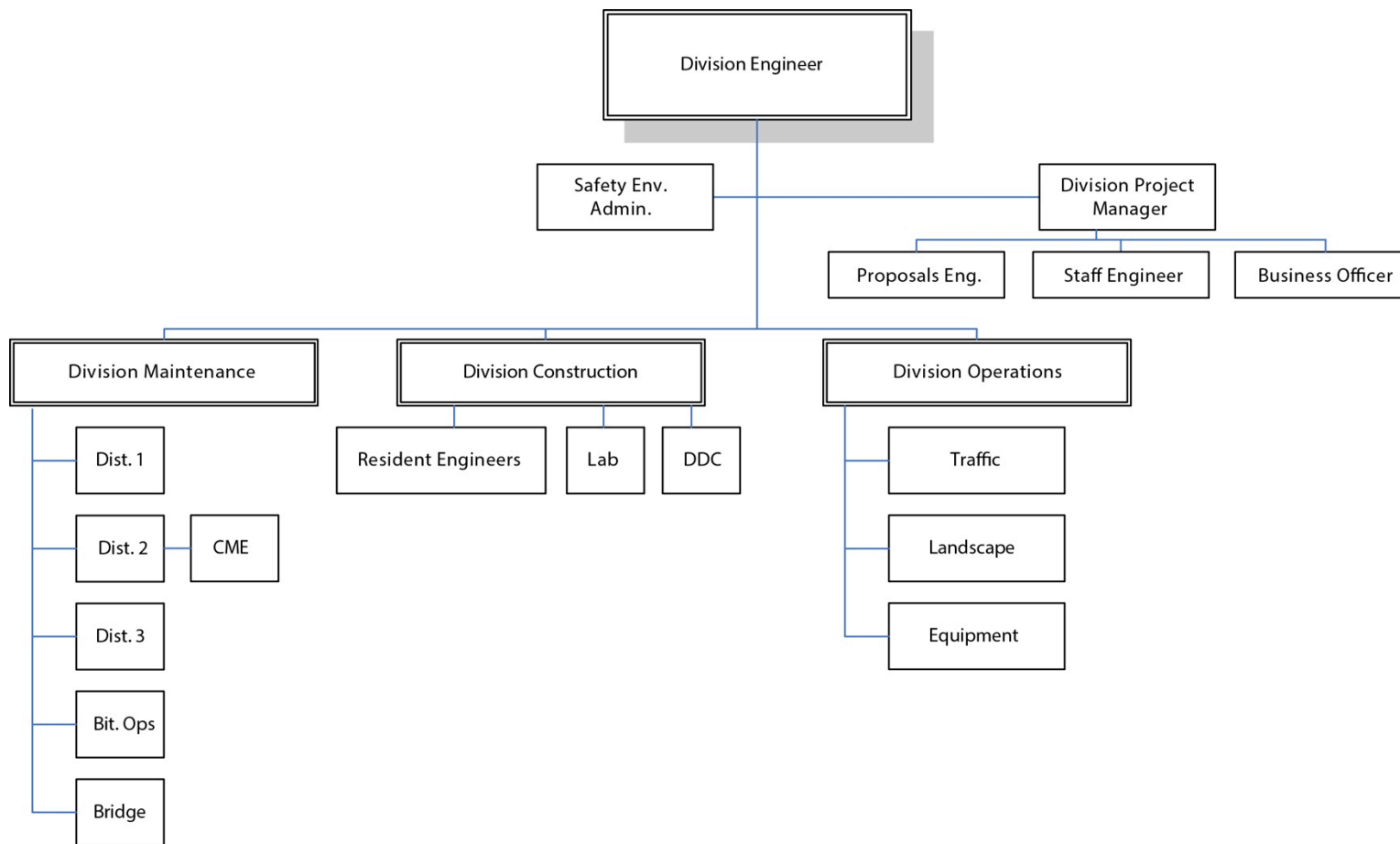
September 7, 2012

Chief Engineer, Terry Gibson





Division 14 Organizational Chart (2011)





Audit Purpose

Investigate Allegations of:

Conflict of Interest

Preferential Treatment of Specific Contractors

Inappropriate Equipment Purchases

Excessive Overtime for Specific Employees





Timeline

- Anonymous report received by NCDOT (1/11)
- OIG, Legal Counsel, Highway Administrator, Chief Engineer begin investigation (1/11)
- State Auditor's office takes over investigation, asks NCDOT to stop independent investigation and provide support for auditor's staff (2/11)
- Auditor's draft report received (6/12)
- NCDOT begins disciplinary actions for obvious infractions (early '11)





Audit Found:

- The District 2 Engineer authorized the use of Fully Operated Rental Equipment (FORE) and did not properly monitor the costs.
- The Haywood County Maintenance Department did not follow DOT policies and procedures for rental equipment contracts.





Fully Operated Rental Equipment (FORE)

- Supplements Division equipment and staff
- Rental of a piece of equipment with an operator
- Request originates from field engineer
- Field engineer solicits quotes from local contractors
- Approved by Division engineer
- Purchase order issued by DOT Purchasing
- Field engineer coordinates with contractor and assigns a time supervisor to monitor and document all rental equipment usage





Project Site - Steep Grades





Project Site - Driveways, Utilities and Switchbacks





Conditions Before





Audit Found:

- The County Maintenance Engineer and two Transportation Workers in the Haywood County Maintenance Office purchased excessive quantities of tools and equipment.
 - Equipment was not properly stored, making inventory and identification difficult.
 - Tools purchased from authorized vendor with a purchase card (P-card), but not via authorized process resulting in NCDOT not receiving contract rate.
- The Haywood County Maintenance Engineer did not approve purchase card transactions as required by DOT policy.





Tools





Purchasing Card (P-card)

- Intended for small dollar local purchases not requiring a purchase order (not to exceed \$2500 limit)
- Division purchasing card manager and cardholder manager establish per transaction and monthly card dollar limits
- Only approved cardholder can use card and must submit signed receipts
- Cardholder manager must approve each purchase
- Cardholder and cardholder manager must validate monthly card statement





Audit Found

- The Division 14 Contract Proposal Engineer was responsible for selecting rental equipment contracts, while at the same time having secondary employment that created the appearance of a conflict of interest.
- Two employees in the Haywood County Maintenance Department routinely had excessive overtime payments.
- A Transportation Worker and the Haywood County Maintenance Engineer are first cousins. Both employees worked in the Haywood County Maintenance Department overseen by the County Maintenance Engineer. As such, the County Maintenance Engineer approved the Transportation Worker's timesheets and purchases.





NCDOT Actions Taken Specific to District 2, Division 14:

- Suspended FORE program
 - Program has new controls – all approvals have been elevated to higher management level
 - Additional equipment requires the Div. Proposal Engineer (No longer approved in the field)
 - Contracts/invoices require the Division Maintenance Engineer or Division Engineer (no longer proposal engineer)
- Began re-training of all staff on NCDOT policies and procedures





NCDOT Actions Taken Specific to District 2, Division 14:

- Disciplined 3 employees
 - 2 during initial investigation (infractions did not raise to reporting threshold (suspended, demoted, terminated)
 - 1 suspended for one week without pay for unacceptable personal conduct
- Implemented the Relative Statement Form
- Discontinued P-card use





NCDOT Actions Statewide:

- Strengthened the NCDOT Employment of Relatives Policy by implementing the Relative Statement Form prior to hiring
- Developing a reporting system to track FORE projects that will be reviewed by higher level management
- Developing and implementing a reporting system to track overtime that will require additional authorization
- Developing more rigorous secondary employment approval process





NCDOT Actions Statewide:

- Directing Division Engineers to assess implementation of NCDOT policies and procedures within their Divisions and immediately make any and all corrections
- Directing Division Engineers to review all FORE contracts to determine if other contracting methods are more appropriate
- Within 60 days, Chief Engineer will review FORE policies and procedures and make required modifications to the overall program
- Office of Inspector General (OIG) will conduct statewide P-card audit
- OIG will conduct a random audit of the employment of relatives policy





Questions?